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VIEWS

OF THE

Public Debt, Receipts, & Expenditures

OF THE

UNITED STATES.

By ALBERT GALLATIN.

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Views, &c.

PUBLIC DEBT.

THE Secretary of the Treasury, in a letter to the committee of ways and means, dated 22d Jan. 1800, gave it as his opinion, that the "principal of the debt of the United States had *increased*, since the establishment of the present government, the sum of dols. 1,516,338.50." A committee of the House of Representatives, appointed on the 20th March following, "to examine the accounts of the United States, relating to the public debt, and to report the amount respectively incurred and extinguished, and generally such facts as relate to the increase or diminution of the same, since the establishment of the government of the United States under the present constitution," reported on the 8th May, a number of statements furnished by the Treasury department, and as the result drawn by them from those statements, that the public debt, instead of having *increased* one million and a half as stated by the Secretary of the Treasury, or to a larger amount, as had been suggested, was, on the first of January 1800, *diminished*, by a sum 1,092,841 dollars and 48 cents, if contrasted with the debt on the 1st January 1790; and by

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a sum of 3,972,878 dollars and 66 cents, if compared with the debt of 1st January 1791. The report was printed by order of the House, but never acted upon; nor any occasion offered, during the remainder of the session, to investigate its principles.

The different results exhibited by the Secretary in January, and by the committee in May, at once show that the subject may be considered in different views, and embraces not only only matters of fact, but questions of opinion. Whether the view taken by the committee is correct or not, is not a question, to be decided by facts only, but by reasoning; and their report, not being confined, as seems to have been originally intended by the House, to matters of fact, must be considered only as the *opinion* of a few individuals, and gives no further weight or sanction to that opinion, than can be derived from the correctness of the reasoning on which it is grounded. It is intended, in this essay, to examine some of the facts contained in the Treasury statements; to discuss the grounds of the opinion of the opinion of the committee; and to add some general observations on the financial operations of the government of the United States. The short time that the writer can bestow on the investigation is no apology for any thing contained in it, but will account for any omission. Whenever such omission occurs, the facts and

opinions of the statements and report are admitted as correct.

The progress of dimunition of the public debt; during any given period, may be stated in two different ways, which constitute two different views of the subject.

1st, The amount of the debt, as it did really exist, at the beginning and end of the period, may be simply stated, without making any deductions resulting from collateral considerations; and the difference between the two amounts will show what may be called the nominal increase or diminution of debt during the period.

2d, From the nominal or apparent amount of debt, thus existing at the beginning and end of the period, may be respectively deducted the amount of funds actually possessed at those two different times by government and applicable to the reduction of the debt; and the result will give a more general comparative view of the financial situation of government, than can perhaps be derived from the insulated consideration of the amount of public debt.

The first way is that which has been universally adopted in other countries, in statements of that kind. When the amount of the public debt of Great Britain is stated, the nominal amount is always given, without making any deductions on account of any funds or resources which might be applied to the payment of some

part of it. Those funds being perpetually liable to be diverted to other purposes, no deduction is supposed to be allowable, until after the money has actually been applied to the reduction of the debt. Yet, it is certainly proper, in order to have a full and comprehensive view of the subject, to state the account both ways. If an administration shall have contracted during a certain period, a debt of one million of dollars, but shall leave in the Treasury one million of dollars more than was in it at the commencement of the period, and that million not charged with any incumbrance, nor requisite to defray any authorised expence, it cannot be denied, that, notwithstanding the nominal increase of debt, the financial situation of the country is not changed. It is, nevertheless, evident, that this last mode is more uncertain and more liable to induce an error, on account of the difficulty of ascertaining with precision, what are the funds or resources actually possessed by government and strictly applicable to the reduction of the debt.

The statements furnished to the committee of the treasury department are intended to give the amount of debt as it really did exist on the first days of January 1790, 1791, and 1800; and their result shows simply the nominal difference of debt on those respective days, with only one exception. The shares owned by government in the Bank of the United States are deducted from

the nominal amount of debt on the 1st January 1800 ; and the deduction seems proper, even on the principle of stating that nominal amount, because those shares yield to government annual dividends, which are a proper offset against an equal amount of the interest paid on the public debt. The *possession* of those shares is precisely the same thing as the *reduction* of an amount of debt costing government an annual interest equal to the dividends receivable on the shares.

The report of the committee is intended to give a comparative view of the financial situation of the United States, by deducting from the nominal amount of debt on those days, what they suppose to be “certain funds acquired by the government, and which may be applied to face the foregoing debt.”

*The Amount of Public Debt is thus stated by the
Secretary of the Treasury.*

On the 1st January 1790.

Foreign Debt.

| | | |
|---------------------------------|----------------|----------------|
| Principal - - - | 10,304,635. 15 | |
| Arrears of Interest to this day | 1,696,562. 92 | |
| | | 12,001,198. 07 |
| Debt to foreign Officers - - - | | 186,988. 23 |

Domestic Debt.

| | | |
|--------------------------|----------------|----------------|
| Principal - - - | 28,630,190. 73 | |
| Interest to this day - - | 10,923,997. 82 | |
| | | 39,554,188. 55 |

Assumed Debt.

| | | |
|---|----------------|----------------|
| Principal of State debts assumed - - | 15,082,771. 33 | |
| Interest on do. to this day - - - | 1,379,110. 85 | |
| Principal of balances funded to creditor States | 3,517,584 | |
| | | 19,979,466. 18 |
| Debts discharged in Specie - - - | | 515,460. 94 |
| | | |
| | Total | 72,237,301. 97 |

On the 1st January 1791.

| | | |
|--|----------------|----------------|
| Amount of debt on 1st January 1790 per above - - | 72,237,301. 97 | |
| Interest on foreign debt for 1790 - | 474,715. 11 | |
| deduct monies in Holland - | 132,475. 31 | |
| | | 342,239 80 |
| Interest on Domestic debt for 1790 - | 1,688,962. 01 | |
| Do. on assumed debt for do, - - | 1,045,669. 64 | |
| | | 2,734,631. 65 |
| | | 75,314,173. 42 |
| Interest on assumed debt for 1791 - | 1,045,669. 64 | |
| Interest on balances for creditor States | | |
| for 1792, 1793, and 1794 - - | 422,110. 08 | |
| | | 1,467,779. 72 |
| | Total | 76,781,953. 14 |

On the 1st January 1800.

| | |
|--|----------------|
| Foreign Debt. - - - - - | 10,819,000 |
| Six per cent stock, deducting the sums purchased, or reimbursed - - - | 25,030,467. 59 |
| Deferred stock, do. - - - | 13,682,944. 17 |
| Three per cent stock do. - - - | 19,086,708. 54 |
| Five and half per cent stock do. - - | 1,847,500. |
| Four and half per cent stock - - - | 176,000. |
| | <hr/> |
| Six per cent stock of 1796 - - - | 80,000. |
| Six per cent Navy stock 1796 - - - | 929,200. |
| Eight per cent stock of do. - - - | 5,000,000. |
| | <hr/> |
| | 59,823,620. 30 |
| Loans obtained from the Bank - - - | 3,640,000. |
| Deduct Bank shares owned by U. S. at par - - - | 888,000. |
| | <hr/> |
| | 2,752,000. |
| | <hr/> |
| Total | 79,403,820. 30 |

Thus it appears on the face of that document, that, admitting its details to be altogether correct, and considering the whole of the assumed debt to have been a proper debt of the United States contracted by the former government, the nominal debt had, on the 1st January 1800, increased by a sum of 7,166,518 dollars and 33 cents, from the 1st January 1790; by a sum of 4,089,646 dollars and 88 cents, computing from the 1st January 1791; and by a sum of 2,621,867 dollars and 16 cents, if we contrast the present debt with the total amount of old debt as funded by government. It is stated as a matter of fact, that the debt on the 1st January 1790 was seven million of dollars less than it is now. It is only by deductions and arguments that a contrary result can be made to appear.

The conclusions of the committee, so far as they differ from this first result, rest no longer on arithmetical precision, but on the supposed correctness of their assumed positions.

The deductions made by the Committee from the amount of debt stated by the Secretary of the Treasury, are as follows—

| | | |
|--|-------------------------|----------------|
| From the nominal amount of debt on the 1st January 1790 | - - - - - | 72,237,301. 97 |
| 1st Proceeds of lands on lake Erie, sold to Pennsylvania by the former government, and paid in certificates | - - - - - 151,392. 41 | |
| 2. Debts due to the United States, on balances of accounts which originated under the former government, and received, in specie | 62,586. 74 | |
| 3. Debts due by the United States [being part of the sum of dollars 515,460. 94 included in the amount of debt due on the 1st January 1790] discharged before 1790 | 15,927. 13 | |
| 4. Cash in treasury, or in hands of Collectors on 1st January 1790 | - - - - - 111,367. 45 | |
| 5. Uncollected Custom House bonds | - - - - - 590,468. 60 | |
| | <hr/> | 931,742. 33 |
| Leaving for "amt. of debt on 1st January 1790," according to committee | - - - - - | 71,305,559.64 |
| <hr/> | | |
| From the nominal amount of debt on the 1st January 1791 | - - - - - | 76,781,953. 14 |
| 1. 2. 3. Lands sold to Pennsylvania, debts due to the United States, and debts due by the United States discharged before 1790, as per above | - - - - - 229,906. 28 | |
| 4. Public debt purchased or discharged during 1790. | - - - - - 518,424. 08 | |
| 5. Cash in treasury, or in hands of Collectors on 1st January 1791 | - - - - - 795,810. 83 | |
| 6. Uncollected Custom House bonds | - - - - - 1,052,215. 13 | |
| | <hr/> | 2,596,356. 32 |
| Leaving for "true amount of debt on the 1st Jan. 1791," according to committee | - - - - - | 74,185,596. 82 |
| | <hr/> | |

| | | | | |
|---|---|---|---|----------------------------|
| From the nominal amount of debt on the 1st January 1800. | - | - | - | 79,403,820. 30 |
| 1. Twenty-five per cent advance on the Original cost of the Bank Stock belonging to the U. S. | - | - | - | 222,000. |
| 2. Cash in treasury or in hands of Collectors on 1st January 1800, deducting a balance due to foreign officers, and outstanding registered debt | - | - | - | 2,593,931. 30 |
| 3. Remittances made to Holland beyond the sum necessary to meet all demands there to the close of 1799 | - | - | - | 548,955. 84 |
| 4. Uncollected Custom House bonds, estimated, after making the proper deductions | - | - | - | 5,826,214 |
| | | | | <hr/> 9,191,101. 14 <hr/> |
| Leaving for "true amount of debt on 1st January 1800," according to committee | - | - | - | <hr/> 70,212,719. 16 <hr/> |

It is evident, from a view of those statements, that supposing every deduction to have been proper, yet it is incorrect to call the result a "true amount of debt," and to say "that the debt has in fact been diminished." Those expressions may, to a superficial observer, convey the fallacious idea, that a portion of the public debt has in fact been paid. Supposing the statements and deductions to be perfectly correct, the conclusion is only that the debt has in fact increased; but that, on the other hand, government has acquired funds applicable and more than sufficient to face that increase. Whether those statements are altogether correct, and whether the funds deducted are properly applicable to face the debt, remains to be examined.

The object of this enquiry being to ascertain the result of the fiscal operations of government under the present constitution, it appears most

proper to compare the amount of the debt on the 1st of Jan. 1800 with that of the 1st of January 1790, rather than with that of the 1st of January 1791. The statement of the debt on this last day must be intended, to show either its true amount on that precise day, or the amount of what may be considered as the whole of the debt contracted by the late government, as the same has been funded by the present government. It is evident that the first view of the subject would not answer the object of the enquiry; and that there is no reason to select the commencement of 1791 in preference to the commencement of 1792 or 1793, and to reject one year in preference to two or three. But should that be the object, the statement is erroneous, in as much as it includes, as part of the debt of the 1st January 1791, a sum of 1,467,779 dollars and 72 cents, consisting of the interest which accrued *after* the 1st of January 1791, on the assumed debt and balances funded in favour of the creditor states, but which was funded instead of being paid. The other view of the subject appears still more incorrect; it presupposes what is controverted, that the whole of the debt funded by the present, was contracted by the former government; it contemplates a sum of four millions of dollars, consisting of interest which accrued on the old debt after the year 1782, as a part of the debt contracted be-

fore the 4th day of March 1789 ; and it excludes every consideration of the propriety or impropriety of the funding system. But even in that view, the statement is erroneous ; for it includes, as part of the debt funded by the present government, the interest which accrued on the foreign debt from March 1789, to January 1791, amounting to 722,000 dollars, and which was paid and not funded. Another consideration of still greater importance will apply to that statement.

In that view of the subject, the whole amount of interest which accrued, on the old debt, after the establishment of the present government, is included as part of the old debt ; every consideration of the propriety of the funding system is excluded ; the whole debt, as funded, is considered as the debt of the former government ; it is no longer a view of the whole of the financial operations of the present government ; it is no longer a comparative view of the present debt, and of the debt as it really did exist when the present government was established ; it is only a view of the financial operations of government since the establishment of the funding system ; it is only a comparative view of the present state of the debt, and of its true amount and value as it stood *after it had been funded*. And, in that view of the subject, the deferred stock ought to be estimated, not at its nominal,

but at its real value, both on the 1st January 1800, and immediately after it had been funded. It is evident that the increase of value of that stock, from the time when it was issued to the present day, is in that view of the subject, a real increase of debt. That stock was worth four or five millions of dollars less, immediately after it had been issued, than it is now, and might have been redeemed so much cheaper then than now. It would now cost government four or five millions of dollars more to pay that debt than it would have done at that time.

One hundred dollars will, at simple interest, at the rate of six per cent, a year, produce one hundred and fifty four dollars in nine years. One hundred and fifty four dollars, payable nine years hence, without interest, are worth only one hundred dollars at present. One hundred and fifty four dollars, payable on the 1st Jan. 1800, without interest, were on the 1st January 1791, worth only one hundred dollars. The deferred Stock was, after the funding system had been adopted, a debt on which the interest was suspended for ten years, a debt on which the interest was suspended for ten years, a debt payable only ten years afterwards. Computing only at simple interest, the 13,682,944 dollars and 17 cents deferred stock were worth, on the 1st Jan. 1791, no more than 8,551,840 dollars and 10 cents; and on the 1st Jan. 1800, they

were worth 12,870,702 dollars and five cents. Computing only at simple interest, the debt has, in this single item, increased, since the funding system, by a sum of 4,318,861 dollars and 95 cents. In whatever view the subject may be considered, it is not less true, that government have enjoyed for nine years the benefit arising from the suspension of interest on the deferred stock ; and that after the present year a further sum of 820,000 dollars will be added to the present annual charges on the public debt, in order to pay that interest. If we compute from after the establishment of the funding system, we may indeed, from the amount of increase of debt exclude the interest which accrued on the old debt, between the establishment of the present government and the time at which we began to pay the interest on the debt ; but we must include the increased value of the deferred stock since the establishment of the funding system. If we compute from the 1st Jan. 1790, to wit, from ten months after the establishment of the present government, we shall exclude from the amount of old debt the interest which accrued on it, subsequent to that day ; but we shall consider the deferred stock as part of the old debt, at its nominal value, and without any deduction on account of the suspension of interest ; since that suspension was produc-

ed by the funding system, and did not exist on the 1st Jan. 1790.

The following considerations will, therefore, apply only to the statements of debt and deductions made by the committee, for the first days of January 1790 and 1800; and they will embrace three objects. I. Sundry observations on the details of those statements. II. An examination of the question, "whether the whole of the assumed debt ought to be considered as part of the debt contracted by the former government? III. An enquiry into the propriety of deducting from the amount of debt, on any given day, the uncollected Custom House bonds due by merchants, for duties on goods imported?

I. The details of the statements should, it seems, be corrected in the following items :

1. In the amount of foreign debt on the 1st Jan. 1790, as stated by the Secretary of the Treasury, the principal of the French debt, including arrearages of interest to that day, is computed at dolls. 7,896,517.12. But by other official statements, and by the statement No. 6, annexed to the report of the Committee, it appears that that debt amounted only to dolls. 7,895,300.39, making a difference of dolls. 1,216.73 to be deducted from the amount of debt on 1st Jan. 1790.

2. In the same amount of foreign debt on that day, are included 263,000 dollars, premiums,

payable at different periods, on a loan obtained in Holland at the rate of four per cent. a year, by the former government. Supposing that those premiums should be considered as part of the principal of the debt, their value, as they did not bear any interest, and were payable at distant periods, should be estimated, on the 1st Jan. 1790, on the principle of an irregular short annuity, by discounting the interest on each of them, according to the date of its becoming due. On that principle, they were on that day worth about 172,000 dollars, and, therefore, 91,000 dollars less than their nominal amount. But those premiums, on a full investigation of the subject, appear to have been no part of the principal of the debt; they were an additional interest. The late government could not, in 1784, have obtained a loan at four per cent; the four per cent. interest on that loan was merely nominal; and the premiums made up the real rate of interest at which the loan was obtained. The former government received only 800,000 dollars, and they agreed to pay both the nominal interest and the premiums for the use of that money. The 263,000 dollars must therefore be deducted from the amount of debt on 1st January 1790; and, on the same principle, the premiums still due, on that loan, on the 1st January 1800, and amounting to 59,000

dollars, should be deducted from the amount of debt on this last day.

3. It is stated by the Secretary of the Treasury, in the statement of foreign receipts and expenditures, No. 5, that a sum of dollars 20,373.33 in six per cent stock, part of dollars 660,373.33 in said stock purchased from the Bank by government, and remitted to Holland, remained unsold, and had been returned to the treasury, and passed to the credit of the sinking fund. That sum, however, is not included in the deductions made by the Secretary from the nominal amount of domestic debt on the 1st Jan. 1800, on account of purchases and transfers to the sinking fund. It is an omission which should be rectified, by deducting that sum from the nominal amount of the debt on 1st January 1800.

4. The amount of interest which accrued on the domestic debt, during the year 1790, is stated at 1,688,962.01. But by a subsequent official statement, an error in that item is rectified, and the true amount of that interest is stated at dollars 1,671,291.55. The difference, amounting to dollars 17,670.46, makes part of the interest accrued on that debt before 1790, and should be added to the amount of debt on the 1st January 1790.

5. In the amount of arrears of interest on the domestic debt, accrued before 1790, are inclu-

ded dollars 22,438.58 being two years interest on the debt due to foreign officers. The amount of arrears of interest on that day to the 1st January 1790, were only dollars 10,822.05. The difference amounting to dollars 11,616.53, should be deducted from the nominal amount of debt on 1st January 1790. That the arrears of interest prior to the year 1790, amounted only to dollars 10,822.05 is deduced from the treasury statements in the following manner.

| | | |
|--|---------------------|--------------------|
| The outstanding registered debt, and debt due to foreign officers, is stated, on the 1st Jan. 1800, at | - - | 100,184. 18 |
| The purchases of registered debt and loan office certificates amounted to dollars | - 97,124. 47 | |
| Which deducted from the amount credited to sinking fund | - - - - 169,306. 78 | |
| Leaves for the outstanding registered debt | - - - | <u>72,182. 31</u> |
| Making for the outstanding debt due to foreign officers on 1st January 1800. | - - - | 28,001. 87 |
| Adding to this, the whole amount of debt paid to foreign officers, including both principal and interest | - - | <u>203,466. 28</u> |
| Gives for the whole amount of debt due to foreign officers, including interest to the 1st Jan. 1793, the day to which it was paid, | - - - - | 231,468. 15 |
| The principal of that debt was | - - 186,988. 23 | |
| And three years interest on the same, for the years 1790, 1791 and 1792 | - - 33,657. 87 | |
| Making for the principal and interest subsequent to 1st January 1790 | - - - - - | <u>220,646. 10</u> |
| Which leaves for the interest prior to 1790 | - - - | <u>10,822. 05</u> |

6. In the sum of dollars 515,460. 94, included in the amount of debt due on the 1st January

1790, as being “debts contracted by the former government and since discharged in specie,” are included two items which should be deducted, *viz.* the interest which accrued respectively on those debts after the 1st January 1790, to the day when they were discharged, but which being neither considerable, nor ascertained in the official statements, shall be neglected; and the grants of Congress to the heirs of General Greene, amounting to 71,453 dollars and 36 cents, which were altogether a gratuity, and not the payment of a debt due by the late government. In order to enable the contractors for supplying the southern army to obtain the necessary supplies, General Greene had been induced to become personally their security to certain merchants of South Carolina. The monies due for those supplies were paid in full by Congress to those contractors; but these did not apply that money to the discharge of the debt due by them to the merchants, and after a number of years, General Greene’s estate was found to be liable for its payment. This sum was therefore a debt of General Greene for supplies which had actually been paid by the United States, and not a debt of the United States, and should also be deducted from the amount of debt on the 1st January 1790.

7. A sum of 10,085 dollars and 51 cents was advanced in 1792 to pay some arrearages due to

the late Maryland line ; and dollars 5,394. 57, part of the same sum, were repaid in the treasury in 1799. If the original sum is included in the amount of dollars 515,460. 94, stated as the amount of old debts discharged in specie, the repayment of dollars 5,394. 57 should be deducted from that amount, and from the amount of debt on the 1st January 1790. If the original sum is not included in that amount, the difference between it and the sum repaid, which constitutes the sum actually expended, and amounts to dollars 4,680. 94, should be added to the nominal amount of debt on the 1st Jan. 1790. A correction seems necessary in either case ; but there being some uncertainty to what account that expenditure was charged, no alteration shall be made on that account.

8. To the deductions made by the Committee from the nominal amount of debt on the 1st January 1790, should be added on the same principle—1st the sum of dollars 132,475. 31, stated by the treasury department to have been in the hands of the Bankers of the United States in Holland on that day, and which is accordingly deducted by that department from the amount of debt on the 1st January 1791, but is, through mistake, omitted in the statement of 1st January 1790—2d a sum of dollars 107,605. 07 stated, by another official statement of the receipts and expenditures of the war department,

to have been remaining in the hands of the late Paymaster General at the commencement of the present government—3d a sum of dollars 24,091. 31 in six per cent, three per cent and deferred stock, stated by the treasury department, in Statement No. I. to have been received in payment of certain balances which originated prior to the present constitution.

9. The two following sums, part of the deductions made by the Committee from the amount of debt due on the 1st January 1790, *viz.* dollars 15,927. 13, amount of debts due by the United States, discharged before the year 1790, and dollars 151,392. 41 proceeds of lands sold to Pennsylvania by the former government and paid by that state in evidences of the public debt, should be deducted at once from the nominal amount of debt on the 1st January 1790, as they were not merely funds acquired by government, but debts actually paid. The outstanding registered debt and debt due to foreign officers, amounting to dollars 100,184. 18 and deducted by the Committee from the balance in specie in the treasury on the 1st January 1800, should be added to the nominal amount of debt on that day, as it was a debt not yet paid. And, on the same principle, on which the Bank stock owned by the U. States has been deducted at its prime cost from the nominal amount of debt on the 1st January 1800, it may be deducted from

that amount, at the same rate at which it was valued by the Committee, *viz.* at 25 per cent. advance. These last alterations will not cause any change in the final result, but only in the nominal amount of debt on the first days of Jan. 1790, and 1800 respectively.

II. The several states had, during the revolutionary war, made sundry advances for the support of that war, but those advances were not made in the same proportion nor in the same manner. Some states were more indebted to individuals than others, on account, either of the situation in which they had been placed during the war, of the greatness of their exertions during the war, or of their remissness in raising taxes after the war. And those states who had advanced less than their proportion for the support of the war, were indebted, for the difference, to those who had advanced more than their proportion. The accounts had not yet been finally settled when the present government was established; and the ostensible objects of the assumption seem to have been, to relieve the states, who were most oppressed by individual debts; and to equalize the accounts between the several states. The first was an object of policy, the last an object of justice: for the only practicable mode under the present constitution, in which the debtor states could be made to pay what they fairly owed to the creditor states, was

that the Union should pay to the creditor states such sums, and in such proportions, as should, as far as possible, equalize the accounts. And those payments might be made either to the states themselves, or to the creditors of those states. It is evident that, in order to carry that mode into effect with correctness and regard to justice, it was previously necessary to settle the accounts of the individual States, and to ascertain which of them were creditor and to what amount. But, instead of waiting until that result was known, state debts were assumed at random by the Union, and without a possibility of knowing whether some of the states, in whose favour that assumption was made, were not, on the contrary, indebted to the Union. The event corresponds with what might have been expected from that loose mode of legislating.

Considering the assumption of state debts as intended solely for the purpose of doing equal justice to the several states, by equalizing their accounts; it may be demonstrated, that, had Congress waited until the settlement of accounts had taken place, before any state debts were assumed, they might have produced the same effect by an assumption, in favour of the creditor states, to the amount of dollars 11,609,259.69, which has been produced by the premature assumption of dolls. 21,789,371.47, which have been actually assumed or fund-

ed in favour of the several States ; that is to say, that the accounts of the Union with the individual states might have been placed in the same relative situation in which they now stand, by assuming dollars 10,180,111. 78 less than have been assumed. Those who conceive the principle of the assumption, so far as it rested on a wish to relieve the individual states from the burden of their debts, to have been confounded ; those who conceive that it was unnecessary for the Union to assume more debts than was strictly requisite to equalize the accounts of the several states ; those who think that it was impolitic to swell the debt of the United States, and that it would have been more easy for the individual states than for the Union to discharge that surplus, will be of opinion that the unnecessary debt, created by the rash assumption of state debts before a final settlement of accounts, and which cannot be considered as a debt of the United States contracted by the former government, amounts to more than ten millions of dollars ; and that this sum ought to be deducted from the nominal amount of debt stated to have been due by the United States on 1st Jan. 1790.

But even the warmest supporters of the assumption of state debts, on its most enlarged scale ; even those who think that, both on the score of justice, and in order to relieve them from a heavy burthen, it was wise and politic to

have assumed the whole of the sum which was actually assumed in favour of the creditor states; even they must acknowledge, that an assumption, made at random before the accounts were settled, rendered it unavoidable to assume debts in favour of states which were in fact already indebted to the Union, and that the consequence has been such, as might have been foreseen. Thus near 1,200,000 dollars were assumed for the state of New-York, which, when the accounts were finally settled, was found to be indebted to the Union to the amount of more than two millions. It is self-evident that the debts, thus assumed for debtor States, were not due by the United States; that they are not a part of the old debt; that they are a debt unnecessarily constituted and created by the present government. On the most superficial view of the subject, it appears that dollars 2,069,565.71 have thus been assumed for debtor states, to the manifest injury of the other states, and constitute an additional debt, which should be deducted from the amount improperly stated as the debt contracted by the former government. What part of that sum consisted of interest, accrued after the year 1789, does not appear and must be estimated. Considering the states in whose favour that unnecessary assumption took place, it is not believed, that that interest amounted to one hundred thousand dollars. And the amount

of assumed debt created by the present government, and to be, at all events, and in the most favourable view of the subject, deducted from the nominal amount of debt on the 1st January 1790, of which it makes no part, may be fairly estimated at two millions of dollars.

III. The Committee have deducted from the amount of debt due on the 1st January 1790, the sum of dollars 590,468. 60, and from the amount of debt due on the 1st January 1800, the sum of 5,826,214 dollars, being the estimated amount of uncollected Custom House bonds not yet due, but which may hereafter be received in the treasury; and they consider those bonds as “funds acquired by government, and which may be applied to face the debt.” The constitution has given to government the command over almost all the resources of the United States; and those resources may in a general point of view be considered as funds acquired to government by the adoption of the constitution. In what then do those Custom House bonds differ from the other general and uncollected resources of the country? Not on account of the persons who owe them. Were duties on imported goods, for the securing of which those bonds are given, ultimately paid by the merchants who are answerable for those bonds, then indeed the people of the United States, who owe the public debt, might take

credit for the amount of those bonded duties payable by a few individuals. But those duties are paid by the consumers, by the people themselves. The merchants are only the collectors of the duties, for which they become answerable on the goods being imported ; and the expence of collection costs to the consumers from 20 to 60 per cent. which the importers and other merchants receive, as a compensation for the trouble and risk of collection. The bonds are in fact a debt due by the people of the United States themselves, and which cannot be deducted from, or claimed as a credit by them against, the mass of their public debt. The people of the United States owe the whole amount of the public debt whatever it may be, and the amount of uncollected duties. Give them credit for the amount of bonds given by merchants for the securing of those duties, and they remain still charged with the whole amount of the public debt *without any deduction*. Those bonds differ from the other resources of the Union, which government may also command, only in one particular, in that their amount and time of payment are ascertained. And in that particular they in no way differ from every other tax of the ensuing year. Those bonds are nothing more than a tax assessed, but not yet collected, and they differ in nothing from the land tax, the amount of which was precisely ascertained, and

which had been assessed in many of the states on the 1st January 1800, but was not yet collected. A farmer, whose tax was assessed, was as much indebted to government for the amount of his tax, as the merchant for his bond. Yet the committee have taken no credit for the land tax which as well as those bonds, was to be collected in the course of the year 1800. They have not even taken credit for the uncollected duties on spirits distilled and stills, although a great part of these were actually due. The Committee were aware, that a tax not yet collected cannot be considered as a set off against an existing debt ; that the probable amount of such a tax is never taken in account, except as making part of the probable receipts of the ensuing year and as applicable to the expences of that year. And it appears incredible that they should not have perceived that those bonded duties were precisely in the same situation with all other taxes to be collected the ensuing year ; that they were, like other taxes, payable by the body of the people, and that they constituted in fact two thirds of the probable receipts of the ensuing year, and were applicable solely to the expences of that year.

The Committee say that those bonds are “ funds which may be applied to *face* the debt.”

The Committee well knew that they could not be applied to *pay* the debt. No part of them can

be applied to pay any part of the principal of the existing debt, unless there should be a surplus in the receipts of the present year over the current expenditure. And so far was this from being the expectation of Congress, that they authorized a loan of three millions and a half of dollars, in order to cover the excess of expenditures over the receipts of this year.

The Committee say "that a considerable part of those bonds are pledged for the payment of the loans obtained from the Bank, and that those loans must in fact be discharged from the proceeds of that pledge." The fact is, that those loans are stated by an official statement of the treasury department, to have (with the exception of one of 200,000 dollars) been obtained in 1795, to be still due, but continued on loan with the consent of the Bank. The pledge given was the surplus of revenue of 1795 and 1796, which has long since been consumed: and the surplus of the nominal revenue of 1799, which consists of those bonds, is not probably pledged for those loans. But the Committee knew that those loans could not and would not *in fact* be discharged from the proceeds of those bonds. For, supposing that a *nominal* payment was to be made to the Bank out of the proceeds of those bonds, that is to say, out of the receipts of the present year, there would then be an additional deficiency to the same amount in the re-

ceipts of this year : and the same amount would immediately be borrowed again from the Bank, in order to cover that deficiency.

The same thing would happen in case government were to sell those bonds on a discount. This they might do, just as they might sell the land tax for the ensuing year, or for ever, as has been done in Great Britain. A nation may mortgage its future resources, or in other words, the probable future receipts of its treasury ; but in whatever manner this is done, it is always borrowing money in some shape or other. Should government sell those bonds, the amount must still be applied to defray the expences of the present year, or in case it was applied to the payment of a part of the public debt, a new loan to the same amount must immediately be obtained for the purpose of discharging the current expenditure.

If the amount of those bonds is actually payable by the people themselves, and altogether inapplicable to the payment of any part of the debt, it cannot be deducted from the nominal amount of debt ; the only real difference which exists in the relative situation of our finances between 1790 and 1800, being, that government has now been organized a sufficient length of time to have secured the payment of a considerable permanent revenue for 1800, and the ensuing years. Should they hereafter diminish

considerably the expenditure, without diminishing that revenue, the surplus would *then* be applicable to the payment of the debt. But we must wait until that shall have been done, before any part of the future probable receipts of the treasury shall be allowed as a credit against the existing debt.

From those considerations it appears that the public debt may, according to the two different views of which the subject is susceptible, be correctly stated as followeth :

I. Nominal amount of debt.

On 1st January 1790.

| | | | |
|--|---|---|----------------|
| Amount stated by the Secretary of the Treasury | - | - | 72,237,301. 97 |
| Add—difference for the interest on domestic debt before 1790 | - | - | 17,670. 46 |

72,254,972. 43

Deduct

| | | | |
|---|---|---|-------------|
| 1. Difference on the French debt | - | - | 1,216. 73 |
| 2. Premiums on Dutch debt | - | - | 263,000. |
| 3. Difference on interest on the debt due to foreign officers | - | - | 11,616. 53 |
| 4. Grant to General Greene's estate | - | - | 71,453. 36 |
| 5. Debts discharged before 1790 | - | - | 15,927. 13 |
| 6. Proceeds of lands sold to Pennsylvania | - | - | 151,392. 41 |
| 7. Debt assumed for debtor states beyond their proportion | - | - | 2,000,000. |

2,514,606. 16

| | | | |
|---------------------------------|---|---|----------------|
| Amount of debt on 1st Jan. 1790 | - | - | 69,740,366. 27 |
|---------------------------------|---|---|----------------|

On 1st January 1800.

| | | |
|--|-----------|----------------------|
| Amount stated by the Secretary of the Treasury | - - | 79,403,820. 30 |
| Add—Outstanding registered debt, and due to foreign officers | - - - - - | 100,184. 18 |
| | | <hr/> 79,504,004. 48 |

Deduct

| | | |
|--|-----------|-------------------|
| 1. Six per cent. stock returned from Holland | - - - - - | 20,373. 33 |
| 2. Premiums on Dutch debt | - - - | 59,000 |
| 3. Advance on Bank stock beyond its cost | - - - | 222,000 |
| | | <hr/> 301,373. 33 |

| | | |
|---------------------------------|-----|----------------|
| Amount of debt on 1st Jan. 1800 | - - | 79,202,631. 15 |
| On 1st Jan. 1790 | - - | 69,740,366. 27 |

| | | |
|--|---|---------------------|
| Nominal increase of debt from 1790 to 1800 | - | <hr/> 9,462,264. 88 |
|--|---|---------------------|

The different items of which the debt consisted on those two days respectively, are exhibited in the Statement No. I. annexed at the end.

II. Comparative view formed by deducting, from the nominal amount of debt, the funds actually acquired by government.

On 1st January 1790.

Nominal amount of debt as per above 69,740,366. 27

Deduct

| | | |
|--|-------|----------------------|
| 1. Debts due under former government to United States and received in specie | - - - | 62,586. 74 |
| 2. Debts due under former government to United States and received in Stock | - - - | 24,091. 31 |
| 3. Cash in Holland | - | 132,475. 31 |
| in treasury | - | 28,237. 61 |
| in Collector's hands | - | 83,127. 84 |
| in Paymaster's do. | - | 107,605. 07 |
| | | <hr/> 351,447. 83 |
| | | <hr/> 438,125. 88 |
| | | <hr/> 69,302,240. 39 |

On the 1st January 1800.

Nominal amount of debt as per above 79,202,631. 15

Deduct

| | | |
|---|---------------|----------------|
| 1. Cash in Treasury | 2,161,867. 67 | |
| In Collectors' hands | 532,247. 81 | |
| | <hr/> | 2,694,115. 48 |
| 2. Remittances said to have been made to Holland, beyond the payments due in 1799 | - - - - | 548,955. 84 |
| | | <hr/> |
| | | 3,243,071. 32 |
| Amount for 1st Jan. 1800 | - - | 75,959,559. 83 |
| 1st Jan. 1790 | - - | 69,302,240. 39 |
| | | <hr/> |

Leaves for increase of debt for those ten years, after deducting all the funds actually acquired by government, and which may possibly be applied towards a reduction of the debt - - - - - 6,657,319. 44

And here it may be proper to observe, that the amount of Custom House bonds, credited by the Committee, and excluded from the above statement, is, for the 1st day of January 1800, dollars 5,826,214; and, for the 1st January 1790, dollars 590,468. 60. The difference between those two sums is dollars 5,235,745. 40; which, deducted from the sum of dollars 6,657,319. 44, would still leave, even on the inadmissible supposition that those bonds ought to be deducted, an increase of debt, during those ten years, of dollars 1,421,574. 04.

RECEIPTS & EXPENDITURES.

THE preceding view of the public debt shows only the final result of the financial operations of government. The operations themselves will appear more clearly from an examination of the resources enjoyed by administration, and of the manner in which these have been applied. Hence an investigation of the receipts and expenditures of the United States is more important than a detached view of the debt itself. And this will afford, at the same time, means of ascertaining the correctness, not of the principles, but of the details of the preceding statements.

There are two modes of ascertaining the progress or diminution of the public debt during any given period. The first, which has been pursued by the Committee and in the preceding pages, consists in comparing the amount of debt at the commencement and end of the period respectively. The second, which may be deduced from a view of the receipts and expenditures, consists in comparing the amount of debt respectively incurred and extinguished during the same period. And if the same principles are pursued in both modes, the result must be the same in both, provided no mistake has been made in the details.

The statements transmitted by the treasury

department to the Committee, in relation to that object, exhibit the receipts in the treasury and the expenditures by the treasury distinctly from those in Holland: but as the receipts in the treasury consist in part of monies drawn from Holland, and the receipts in Holland in part of monies remitted from America, the aggregate amount of receipts and expenditures in America and Holland, does not show the true amount of the receipts and expenditures of the United States. The following alterations in those statements are necessary in order to exhibit a correct amount of those receipts and expenditures.

From both receipts and expenditures must be deducted

| | |
|---|-----------------------|
| 1. From the amount of receipts in Holland and expenditures in America, monies remitted from America to Holland | 5,621,660. 10 |
| 2. From the amount of receipts in America and of expenditures in Holland, monies drawn from Holland to America | 2,808,941. 02 |
| 3. From do. monies repaid to purchasers of six per cent. stock in Holland, being part of interest received on the same in America | 14,226. 54 |
| 4. From the amount of receipts and expenditures in America, the amount of Bills drawn on Holland, and afterwards cancelled, the same being a nominal transaction | 2,000,000. |
| 5. From the amount of receipts and expenditures in Holland, monies remitted from America to Holland for the use of the war and diplomatic departments, and charged, in the amount of expenditures in America, to the proper departments | 37,031. 89 |
| 6. From do. monies lost on bills of exchange and deducted from the amount gained on other bills | 14,874. 85 |
| Total deductions | <u>10,496,734. 40</u> |

To both receipts and expenditures must be added

| | |
|--|----------------|
| 1. Monies remaining in hands of the late Paymaster at the commencement of the present government, passed to the account of the war department - - - | 107,605. 07 |
| 2. Sale of war stores to France expended in paying the principal of the public debt - - - | 8,962. |
| 3. Amount of the Navy loan, consisting of the cost of ships of war built by private subscription, and paid to the subscribers in six per cent. stock, passed to the account of Navy expenditures - - - | 929,220. |
| 4. Profit on bills of exchange remitted from Holland to France and Spain, passed to the account of monies expended in paying the interest on the public debt - | 380,772. 51 |
| | <hr/> |
| Which amount added to the aggregate of receipts in Holland and America - - - | 1,426,539. 58 |
| | <hr/> |
| As given by the Secretary of the Treasury, makes a sum of | 93,843,423. 01 |
| From which deducting the amount of deductions as per above - - - | 10,496,734. 40 |
| | <hr/> |
| Leaves the amount of receipts as stated in Statement No. 2. hereto annexed - - - | 83,346,688. 61 |
| | <hr/> |

The following transposition is also made in statement hereunto annexed No. 3, *viz.*

The following sums which in the statement of the Secretary of the Treasury, are classed under the head of expenditures for interest of the debt, are here stated, as they ultimately were, as part of the monies applied towards the payment of the principal of the debt, *to wit.*

1. A sum of dollars 226,608. 70, being the interest which accrued till May 1795 on the debt purchased by the Commissioners of the sinking fund. That sum was paid as interest by the treasury, to the Commissioners, and applied by them to the purchase of the public debt.

2. A sum of dollars 5,437. 93, being the difference between 39,095 dollars and 80 cents stated, by the treasury statement, to have been paid for interest on the debt due to foreign officers, and 33,657 dollars and 87 cents, the whole amount of interest which accrued on that debt after the year 1789.

From those statements of receipts and expenditures No. 2, and 3 hereunto annexed, it appears that the whole receipts of the present government, from its commencement have been from—

| | | | | | |
|---------------------|---|---|---|----------------|-----------------|
| Old debts received | - | - | - | 302,667. 13 | |
| Loans | - | - | - | 23,775,795. 56 | |
| Sales of Bank stock | - | - | - | 1,384,260. | |
| Sales of Land | - | - | - | 100,339. 84 | |
| Revenue | - | - | - | 54,242,213. 54 | |
| Sundries | - | - | - | 3,541,412. 54 | |
| | | | | | 85,346,688. 61. |

And that the expenditures for the same period, have been for

| | | | | |
|---|---|---|----------------|-----------------------|
| Payments of principal of the debt | - | - | 20,654,847. 30 | |
| Subscription to the Bank of the United States | - | - | 2,000,000. | |
| Interest of the public debt | - | - | 27,559,430. 35 | |
| Military establishment, including land and navy | - | - | 21,286,420. 84 | |
| Civil domestic establishment, including civil list and miscellaneous expenses | - | - | 6,324,626. 95 | |
| Intercourse with foreign nations | - | - | 2,810,539. 66 | |
| | | | | 80,635,865. 10 |
| Leaving for balance unexpended, viz. | | | | |
| Cash in treasury | - | - | 2,161,867. 67 | |
| Remittances to Holland | - | - | 548,955. 84 | |
| | | | | 2,710,823. 51 |
| | | | | <u>83,346,688. 61</u> |

The nominal increase of debt during that period may be deduced from those statements on the same principles already explained, in the manner following.

| | | | | | |
|--|---|---|---|---|-------------------|
| The monies applied to the payment of principal of the debt, are stated at | - | - | - | - | 20,654,847. 30 |
| From which deducting the amount of debts discharged before 1790 | - | - | - | - | <u>15,927. 13</u> |
| Leaves for the true amount of monies applied to the reduction of the debt after 1st Jan. 1790. | - | - | - | - | 20,638,920. 17 |

To which sum the following additions must be made.

1. A part of that sum, *to wit*, dolls. 1,619,281.24 were applied to purchases of the public debt; the amount purchased was dolls. 2,307,661. 71; the excess of debt purchased beyond the monies applied to purchases is - - 683,380. 47.
2. Exclusively of the receipts in specie into the treasury, payments have been made directly in evidences of public debt, *viz*, for lands sold, dolls. 14,005. 93; in payment of old debts, dollars 24,091. 31; and commutation returned by sundry officers, in order to be placed on the pension list, dolls. 32,873. 71, amounting all together to - - 70,970. 95
3. The Bank shares still owned by the United States, at 25 per cent. advance 1,110,000. 1,869,351. 42.

Total amount of debt *extinguished* from 1st Jan. 1790 to 1st Jan. 1800, considering the Bank shares owned by United States, as equivalent to a debt extinguished - 22,508,271. 59

The monies received on loan are stated at - - 25,775,795. 56

To which must be added

1. The difference between the nominal amount of six per cent. stock issued in 1796, *viz*. 80,000 dollars, and the amount of money for which the same was sold, *viz*. 70,000 dollars - - 10,000.

| | | | |
|--|-----------|---------------|----------------------|
| 2. The interest which accrued after 1st Jan. 1790, on the domestic and assumed debt, and was funded, instead of being paid | - - - - - | 4,184,740. 91 | |
| 3. The debts assumed for debtor states beyond their proportion | - - - - - | 2,000,000. | |
| | | <hr/> | 6,194,740. 91 |
| Total amount of debt incurred from 1st Jan. 1790, to 1st Jan. 1800 | - - - - - | | 31,970,536. 47 |
| From which deducting the amount of debt extinguished per above | - - - - - | | <hr/> 22,508,271. 59 |
| Leaves for the nominal increase of debt during that period (being the same amount heretofore deducted from a view of the amount of debt existing at the commencement and end of the period.) | | | 9,462,264. 88 |

The Statement No. 4, exhibits a comparative view of the debt incurred and extinguished to the 1st day of Jan. 1800; by which it appears,

| | | | |
|---|-----------|---------------|--|
| 1. That the nominal increase of debt from 1st Jan. 1790 to 1st Jan. 1796, amounted to dollars | - - - - - | 8,552,978. 59 | |
| Which sum consisted of three items, <i>viz.</i> | | | |
| Interest accrued and funded instead of being paid | - - - - - | 4,184,740. 91 | |
| State debts assumed for debtor states beyond their proportion | - - - - - | 2,000,000. | |
| Excess of expenditures beyond the receipts | - - - - - | 2,368,237. 68 | |
| | | <hr/> | |
| 2. That there was a nominal decrease of debt from 1st Jan. 1796, to 1st Jan. 1799, amounting to | - - - - - | 3,874,524. 74 | |
| | | <hr/> | |
| 3. And that the debt increased during the year 1799 by a sum of | - - - - - | 4,783,811. 03 | |
| | | <hr/> | |

It is believed, that those different views of the subject, all agreeing in their result, afford sufficient proof of the correctness of the details, and exhibit all the facts in such a manner as to put it in the power of every attentive reader, to

distinguish and form a judgment on every question on which a difference of opinion does exist. The next important consideration is that of the true amount of monies collected from the people, and of their application.

It appears by the statement of receipts, No. 2, that the monies received for balances of old accounts, loans, and sales of bank stock and land, together with the profits on exchange, amount to dollars 27,977,382. 31. If from that sum are deducted, the monies applied to the reduction of the debt, and to the subscription to the Bank, and the balance remaining unexpended on the 1st January 1800, either in America or in Holland, which several items are stated in statement of expenditures No. 3, to amount to dollars 25,365,670. 81; the balance, amounting to dollars 2,611,711. 50, added to the whole amount of monies collected from the people, will be found to have discharged the whole current expenditure of the nation. The current expenditure has, therefore, exceeded the ordinary revenue by a sum of 2,611,711 dollars and 50 cents; although that current expenditure has been diminished by funding, instead of discharging interest on the public debt, to the amount of dollars 4,184,740. 91.

The whole of the current expenditure for interest on the public debt and the military, civil and foreign expenses, by statement No. 3, ap-

appears to be 57,981,017 dollars 80 cents : and the amount of "revenue and sundries," by statement No. 2, appears to be 55,869,306 dollars 30 cents ; which added to the balance above stated, of 2,611,711. 50, constitute likewise an aggregate of 57,981,017 dollars and 80 cents. But these sums are only an apparent and not the true amount of the monies collected from the people, and of the current expenditure. For, 1st, the amount of "sundries" consists principally of repayments, which ought to be deducted, respectively, from the expenditure of that department to which they were originally charged ; and of interest received, either as dividends on the Bank shares owned by the United States, or on stock of the public debt purchased from the Bank by the United States and remitted to Europe ; in both which cases it may properly be considered as an offset against, and be deducted from the amount of, interest paid by the United States on the public debt. 2dly, Some similar deductions must be made from the amount of "miscellaneous expenses," in statement No. 3. 3dly, The apparent amount of revenue, includes only the monies paid in the treasury, and not the expenses of collection ; which are retained by the several collectors and supervisors, but form, nevertheless, a part of the monies collected from the people, and of the current expenditure. And 4thly, The sums collected, but not yet paid

in the treasury, by the collectors of revenue, should also be noticed.

I. The item denominated "sundries," in the statement of receipts No. 2, consists of the following items, *viz.*

To be deducted from the payment for interest on the public debt.

| | | |
|--|-----------|---------------------|
| 1. The amount of dividends received on the Bank stock | - - - - | 901,920. |
| 2. Interest received for six per cent. stock from the time when it was purchased until it was sold, after deducting that interest which was allowed and paid to the purchasers in Europe | - - - | 112,048. 46 |
| 3. Repayment by Committee of loans in 1799 | - - - - - | 1,458. 48 |
| | | <hr/> 1,015,426. 94 |

To be deducted from the payments for the civil list.

| | |
|---|-----------|
| The amount of fines and penalties for crimes (the expenses of prosecution for offences, others than breaches of the revenue laws, being included in the civil list expenditure) | 4,646. 50 |
|---|-----------|

To be deducted from the payments for the land, military or war department.

| | |
|--|-----------------|
| 1. The proceeds of sales of arms to France | 8,962. |
| 2. do. of do. to South Carolina | 4,240. |
| 3. Repayments, say | 13. 50 |
| 4. Sum repaid on account of monies advanced to discharge certain arrearages to the late Maryland line, and supposed to have been originally included in the expenses of the war department | - - - - |
| | <hr/> 5,394. 57 |
| | 18,610. 07 |

To be deducted from the payments for the naval department.

| | | |
|--|---------|------------------|
| 1. Repayment | - - - - | 172. 58 |
| 2. Sales of French armed vessels captured by the Navy of the United States | - | 12,549. 24 |
| | | <hr/> 12,721. 82 |

To be deducted from the miscellaneous expenses.

| | | | | |
|--|---|---|---|-------------------|
| 1. Repayment on account of Indian department | - | - | - | 12,942. 77 |
| 2. Repayment from the agents for light houses | - | - | - | 924. 11 |
| 3. Amount of cents and half cents coined at the Mint | - | - | - | 48,041. 42 |
| | | | | <u>61,908. 30</u> |

To be deducted from the expenses for intercourse with foreign nations.

A repayment by a public minister in Holland - - - 20.

To be deducted from the expenses of the collection of duties, which expenses shall be hereafter stated.

| | | | |
|---|---|---|----------------------|
| 1. Sale of revenue cutters, the expense of those cutters being generally included in those of collection | - | - | 1,393. |
| 2. Forfeitures for breaches of revenue law in 1799 | - | - | 12,342. 31 |
| | | | <u>13,735. 31</u> |
| Amount of profit on notes and remittances, to be added to the above stated balance of 2,611,711. 50, which balance includes other similar profits | - | - | 23. 82 |
| Total amount of the item "Sundries" in statement No. 2 | | | <u>1,127,092. 76</u> |

II. The following items, part of the sum of dollars 2,059,211. 61, stated as the amount of miscellaneous expenses, ought to be deducted from the nett receipts of revenue, being principally expenses of collection.

Part of the expenses of collection of duties on imports.

| | | |
|--|---------|------------------|
| 1. Payment of demands for unclaimed merchandize | 763. 28 | |
| 2. Payments for building revenue cutters | - | 623. 02 |
| Purchase of vellum, &c. for stamp duty, being part of the expense of collection of internal duties | - | - |
| | | <u>1,386. 30</u> |
| | | <u>3,083. 60</u> |
| | | <u>4,469. 90</u> |

There may be some other expenses of the same nature, amongst some of the items which constitute that article of miscellaneous expenses, and which should also be deducted from the net amount of revenue or added to the expenses of collection ; but as they are not distinguishable in the statements annexed to the report of the committee, they shall not be noticed. It will, however, in this place, be proper to state, that in the amount of dollars 592,905. 76 stated as the civil list expenditure for 1799, are included 159,076 dollars and 10 cents expended for the valuation of lands and dwelling houses, and which ought in the present view of the subject rather to be placed under the head of “ expenses of collection,” than as part of the civil list expenses.

III. The apparent amount of revenue as stated in statement No. 3, and amounting to dollars 54,242,213. 54, consists of the following items as stated by the Secretary of the Treasury.

| | | |
|-------------------------------|-------|----------------|
| Duties on imports and tonnage | - | 52,321,525. 77 |
| Internal duties | - - - | 3,632,768. 93 |
| Postage of letters | - - - | 280,808. 84 |
| Fees on patents | - - - | 7,110. |

54,242,213. 54

In that amount of internal duties are included the drawbacks paid on the exportation of domestic distilled spirits, refined sugar and snuff,

or rather as much of those drawbacks as are returned to the exporter on account of the duty on the manufacturer. As those drawbacks are paid by the collectors of duties on imports and tonnage, they diminish so far the payments made by those collectors in the treasury, which constitute the apparent receipts from those duties. The amount of those drawbacks should therefore be deducted from the amount of internal duties, and added to the amount of duties on imports and tonnage.

The total amount of drawbacks paid to the end of 1798 on exported domestic distilled spirits, is stated by the treasury department at dollars 547,039. 47 ; and supposing the drawbacks for 1799 equal to those of 1798, the whole amount of drawbacks on spirits to the 1st Jan. 1800, may be stated at - - - - 590,000.

The total amount of drawbacks paid to the end of 1798 on exported refined sugar, is stated at 39,681. 71, and including those paid during 1799, may be estimated at - - 43,000.
The amount of drawbacks paid on exported snuff is about - - 21,000.

All together 654,000.

But as the drawback on spirits, includes not only seven cents per gallon returned as the duty on the manufacture, but also a duty which has varied from 3 to 4 cents per gallon, returned as the duty laid on the importation of molasses ; and as the drawback on refined sugar is also in part on account of the duty of 2 cents per

pound on the manufacture, and in part on account of the duty on brown sugar imported, it is necessary to make the proper deductions from the total amount of drawbacks, as paid at the Custom Houses; and it will be found that the true amount of drawbacks, paid on those articles, solely on account of, and returned as the amount of the internal duty laid on the manufacture is—for spirits 447,000 dollars, for refined sugar 17,000 dollars, and for snuff 21,000 dollars, all together 485,000 dollars; which sum deducted from the apparent amount of internal duties, and added to the apparent amount of duties on imports and tonnage, will make the amount of duties on imports

and tonnage - - - - - 50,806,525.77

And the amount of internal

duties - - - - - 3,147,768.93

To these sums thus corrected it is necessary to add the expenses of collection.

The expenses of collection, paid out of the revenue, on the duties on imports and tonnage, from the commencement of the present government to the 1st January 1799 amount to 2,088,153. 34. Valuing those for 1799 at about the average of those of 1797 and 1798, *viz.* dollars 361,846. 66, will give for the whole 2,450,000 dollars. In addition to these, the officers receive fees paid by individuals, and

which, although they are not brought in the general account of revenue, are not less monies collected from the people, and a part of the expenses of collection. The whole amount of fees received by the collectors has never, it is believed, been stated; but that of several years has been transmitted to Congress. The fees received during 1798 amounted to 101,000 dollars, and by comparing the amount of several years, it appears probable that they amount to about one and one half per cent. of the whole amount of monies paid for those duties in the treasury, or to about 760,000 dollars from the commencement of the present government, to the 1st of January 1800. The whole of the expenses of collection of those duties, may, therefore, be computed at 3,210,000, which is about six and one third per cent. on the total amount of net receipts in the treasury, or something less than six per cent. on the amount of monies collected from the people on account of those duties.

The receipts from the duties in 1798 were 7,106,061.93; and, adding the drawbacks on spirits, refined sugar and snuff, amounted to 7,137,976.54. For that year the expenses of collection paid out of the revenue were dollars 376,063.43, and the fees 101,000 dollars, in all 477,000 dollars, or near six and two-thirds per cent. on the net receipts in the treasury.

The expenses of collection, on the internal

duties, are estimated by the Secretary of the Treasury to have amounted, from their commencement to the close of the year 1798, to dollars 602,080. 26. Those for the year 1799 cannot have been far from 150,000 dollars. The gross amount of the emoluments of the officers for the year 1798, exclusively of the contingent expenses (valued at 10,000 dollars) amounted to dollars 125,781. 76; and their salaries and compensations were larger in 1799 than in 1798. The total amount of expenses of collection, for that class of duties, may, therefore, be estimated to the 1st January 1800 at 750,000 dollars, being almost 24 per cent. on the net receipts in the treasury during the same period, or about 19 and one half per cent. on the amount of monies collected from the people on account of those duties.

The total amount of expenses of collection for both classes of duties may, therefore, be estimated at 3,960,000 dollars.

IV. The monies received by the several collectors and supervisors, and not yet paid into the treasury, are either ascertained by a settlement of accounts, or yet unknown, and depending on a future settlement of accounts.

It appears, that on the 1st January 1799, the balances due by the collectors of the customs, and ascertained to consist of cash in hand, amounted to dollars 888,368. 64. On the

same day, there was a sum of 1,428,948. 58, stated to be nominally due by collectors, but consisting partly of duties uncollected, and partly of cash in hand. Supposing the cash in hand to have borne the same proportion to the whole sum, which the ascertained sum of dollars 888,368. 64 bore to the gross amount of uncollected duties and cash in hand, charged to the collectors who owed the said ascertained sums, that cash in hand (part of the above sum of dollars 1,428,948. 58) must have amounted to something more than 123,000 dollars. The cash in hands of collectors of customs may, therefore, be estimated to have been on the 1st January 1799 about one million of dollars.

The statement from which those sums are extracted, was laid before congress in April—May 1800, and was probably completed by the treasury department in March 1800. It exhibits the names of one hundred and one collectors; the accounts of ninety-four were settled at that time, (March 1800) to the close of 1798; and only seven were not settled to that day. Of those seven, three were collectors not in office. The balances stated to be due by the other four, were due on the days to which their accounts were settled (31st December 1797, and 30th June 1798) and might be something more or less on the 31st December 1798. The difference could not, however, materially change the

result. Of the ascertained sum of 888,368 dollars and 64 cents in hands of collectors on the 1st January 1799; 221,538 dollars and 9 cents were due by eighteen *late* collectors, sixteen of whom had, on that day, been more than one year out of office.

The accounts of the supervisors of the internal revenues, are far from being settled in as satisfactory a manner, as even those of the collectors.

By the same statement, it appears, that on the 1st January 1799, there was a sum due by supervisors out of office, amounting to 31,183 dollars and 24 cents : that at the time when the statement was completed (March 1800) the accounts of eight supervisors in office, were settled to the close of 1798 ; the cash in hand, of those eight officers, amounting on that day to dolls. 99,518. 20 ; that at the same time, (March 1800) the accounts of six other supervisors were settled, either to the 30th June 1797, the 31st Dec. 1797, or the 30th June 1798 ; that the cash in hand, of five of these last supervisors, amounted to 114,340 dollars and 72 cents, at the time respectively when their accounts were settled ; a sum which may have increased or diminished since that time ; that the uncollected duties, and cash in hand (both blended together) charged to the sixth, amounted to 108,027. 26 on the 30th June 1797, date of the settlement

of his account—and that the accounts of the two other supervisors, (Pennsylvania, Kentucky, and N. W. Territory) have never yet been settled. From those data, it is impossible to ascertain with precision the monies in hands of the supervisors; and it must be added, that there are also sums of money in the hands of the collectors of the internal revenues, which are not ascertained. This points out one of the principal causes, why the accounts of the supervisors are not settled as punctually as those of the collectors of customs. Those have only to settle each their respective accounts; but the supervisors having under them inspectors and collectors of the internal revenues, the unsettled accounts of any one of those collectors is sufficient to prevent the final settlement of the accounts of the supervisor.

In one of the statements (No. 8) annexed to the report of the committee, the balances in hands of the collectors of customs, at the close of 1799, are stated at only 447,296 dollars and 17 cents; and those in hands of the supervisors, at the same date, at 84,951 dollars and 64 cents. That account can be reconciled with the preceding on three suppositions—either that in the accounts of receipts and expenditures from which the preceding facts are extracted, the amount of duties actually due, but not yet paid, are considered as cash in the hands of collectors,

or that the balances had been considerably diminished by payments during the year 1799—or that the statement, annexed to the report of the committee, exhibits only the sums positively known to be subject to the disposal of the treasury, excluding all sums not actually settled, and all those which, on account of insolvency of officers of the revenue, or of other circumstances causing a delay, could not immediately be received in the treasury.

Although, therefore, it is probable that an amount of about 1,400,000 dollars has been collected from the people, over and above the receipts in the treasury, and expenses of collection, as it is difficult to ascertain, with any degree of precision, the real amount, as the object of this enquiry is principally to show the *application* of the monies collected from the people, and as the amount in the hands of the officers of the revenue, whatever it may be, is yet unexpended, it may be omitted in the present view of the subject.

From those data is deduced the following statement of the amount of monies collected from the people, and of their application. The only part of that statement grounded on estimate, is that which relates to the expenses of collection; and as those expenses are added, both to the amount of monies collected, and to that of expenditure, any mistake there affects not any other result.

| | |
|--|----------------|
| The revenue arising from duties on imports and tonnage, including expenses of collection, and making the several allowances for drawbacks, forfeitures, cutters, and unclaimed merchandize above noted, was | 54,018,874. 78 |
| The revenue arising from internal duties, including expenses of collection, and making the allowances for drawbacks, and purchase of vellum above noted | 3,894,685. 33 |
| The revenue arising from postage, excluding the expenses of collection, which, in relation to that revenue, are not considered as monies collected from the people, but as the payment, by the persons receiving letters, for a benefit immediately accruing to them | 280,208. 84 |
| The revenue arising from fees on patents, &c. | 7,110. |
| Total amount of monies collected from the people, from the establishment of the present government to the 1st January 1800, exclusively of the monies received by the collectors of the revenue, and not yet paid by the people | 58,201,478. 95 |

And that sum, together with the above mentioned balance of dollars 2,611,735. 32, consisting of the excess of the proceeds of loans, sales of Bank stock and lands, balance arising from the former government, and profits on exchange over the sums applied to the subscription of the Bank, and to the payment of the principal of the public debt, and with the above noted item of 23 dollars and 82 cents, arising from profit on remittance, &c. make an aggregate of dollars 60,813,214. 27, which has been expended in the following manner.

| | |
|---|----------------|
| 1. Interest on the public debt, deducting the amount of dividends on Bank shares, interest on six per cent. stock, and repayment above stated | 26,544,003. 41 |
| 2. Civil list, including the expenses of assessing the land tax, and deducting the amount of penalties for crimes above stated | 4,260,768. 84 |
| Carried forward | 30,804,772. 25 |

| | | | |
|---|---------------|----------------|----------------|
| Brought forward | - | - | 30,804,772. 25 |
| 3. Miscellaneous expenses, deducting the repayments for the Indian department and light houses, the purchase of vellum, cutters, &c. and the amount of cents and half cents coined at the mint, and consisting of the following items, viz. | | | |
| 1. Pensions to invalids | - | 908,607. 34 | |
| 2. Indian treaties and trade | - | 183,525. 23 | |
| 3. Light house establishment | - | 346,784. 92 | |
| 4. Mint do. (a) | - | 86,581. 63 | |
| 5. Annuities and grants, including that to General Greene's estate, and one of 15,000 dolls. to the French refugees from St. Domingo | } 130,800. 31 | | |
| 6. Census of the inhabitants of the U.S. | | 443,777. 28 | |
| 7. Loan to the city of Washington | | 100,000. | |
| 8. Contingent and miscellaneous demands | | 192,156. 70 | |
| | | | 1,992,883. 41 |
| 4. Expenses of collection of the revenue estimated at | | | 3,950,000. |
| 5. Intercourse with foreign nations, deducting a repayment above noted, viz. | | | |
| 1. Support of Ministers and incidental expenses | - | 759,293. 76 | |
| 2. Protection of American Seamen | - | 50,000. | |
| 3. Expense of prize causes | - | 80,000. | |
| 4. Expenses incident on the treaty with Great Britain | - | 163,120. 13 | |
| 5. do. do. do. with Spain | - | 75,683. | |
| 6. Payments for treaties with Algiers, and other Barbary powers | - | 1,682,422. 77 | |
| | | | 2,810,519. 66 |
| 6. Land military establishment, deducting repayments and sales of arms, viz. | | | |
| 1. Army | - | 12,324,639. 42 | |
| 2. Fortifications | - | 546,931. 54 | |
| 3. Purchases of arms and stores | - | 848,223. 28 | |
| 4. Expenses attending military expeditions in Pennsylvania, for insurrections in 1794 and 1799 | - | 1,250,000. | |
| | | | 14,969,794. 24 |
| 7. Navy, deducting repayment and proceeds of prizes as per above | - | - | 6,285,294. 71 |
| Amount of the <i>actual</i> expenditure to the 1st January 1800, exclusive of the monies applied to the reduction of the debt, and to the subscription to the Bank | - | - | 60,813,214. 27 |

(a) Exclusively of the pay of the officers of the Mint, included in civil list, and amounting, from its first establishment to the 1st of January 1800, to dollars 70,172. 55—in all dollars 156,754. 18.

It must be understood, that this statement, in relation principally to the three last items of intercourse with foreign nations, military establishment, and navy, exhibits only the disbursements from the treasury, but not the *ultimate* application of the money. The accounts usually transmitted to Congress, with few exceptions, show only the advances made by the treasury to the Secretary of State, (as agent for the greater part of the expenses incident to the intercourse with foreign nations) to the Paymaster, Quartermaster-general, Purveyors of public supplies, Contractors for provisions and supplies, Agents for building ships, and for other services, &c.; but do not exhibit, except in a few instances, the application of monies by, and settlement of accounts of, those several receivers of public monies. A number of those accounts are, however, finally settled at the treasury: and although the apparent amount of monies yet unaccounted for, or of unsettled accounts, was understood, on the 1st January last, to exceed eight millions of dollars, yet the several persons who appear thus charged with balances, have, in many, and may, in all instances, have applied the monies received by them from the treasury to the purposes for which they were paid or advanced by the treasury. How far this may be true, or how far, on the contrary, public monies may have been misapplied by the agents who

first received them from the treasury, or by the persons amongst whom those agents may have distributed the same, cannot be deduced from the public accounts transmitted to Congress, nor ascertained until the accounts are fully settled. Nor do the statements made to Congress give any view, except in the instance of collectors already noticed, and perhaps in a few solitary cases, of the balances actually found due to the United States on settlements of accounts, or of the length of time for which they may have been due. One fact appears rather extraordinary. The whole amount of monies received from March 1789 to January 1800, from persons indebted to the United States for balances of accounts which originated under the former government, and including, therefore, all the balances of the last war accounts, amount only, including interest, to dollars 86,678. 05. It would be useful to publish statements of the accounts actually settled, showing the ultimate and real application of the monies advanced, and of the balances which may have been found due on settlement and remain unpaid—and of the accounts only partially settled, or unsettled, showing the application of monies so far as a partial settlement has been made, and the balances remaining unaccounted for ; and distinguishing the cases, amongst apparently unsettled accounts, where accounts have been rendered, and

plausible evidence of the truth of the account given, but a final settlement remains suspended for want of sufficient vouchers ; from those, where, after a reasonable time has been given, no plausible account has been rendered.

As there are two subjects, which have to a considerable degree attracted public attention, the expenses of the Algerine treaty, and those incurred on account of the differences with France ; these observations will be concluded by some details relative to those two points.

I. The whole amount of appropriations for treaties with, and payments to Algiers and the other Mediterranean powers, is dolls. 1,848,717. 97 ; the balance remaining unexpended, on 31st December 1797, 166,295. 20 ; the amount paid by the treasury, to that day, dollars 1,682,422. 77. Of these it is probable that 1,500,000 dollars have been paid for Algiers, and the balance to the other Mediterranean powers ; and that one million and a half may be arranged under three heads—treaty—annuities—extraordinary extortions, or, in official language, “ unexpected demands.”

The treaty expenses are estimated at dollars 1,131,391. 03, and consist of four items.

1. The original cost of the treaty seems to have been 816,413 dollars, *to wit.*

| | | | | |
|---|---|---|---|---------|
| To be paid the Dey | - | - | - | 180,000 |
| The Dey's family | - | - | - | 60,000 |
| Department of Treasury | - | - | - | 40,000 |
| The several officers of government, and of the household, from the chief Aga to the two cooks | - | - | - | 65,000 |
| Redemption of 100 Captives | - | - | - | 130,000 |
| <hr/> | | | | |
| This is called the prime cost of the treaty | - | - | - | 525,000 |
| Per centage on the captives | - | - | - | 27,000 |
| Other expenses not enumerated | - | - | - | 90,000 |
| Naval stores stipulated at 57 000 dollars, cost | - | - | - | 124,413 |
| Freight of the same to Algiers | - | - | - | 50,000 |
| | | | | <hr/> |
| | | | | 816,413 |

2. For contingencies, including expenses for captives, &c. the estimate, on which the appropriation was made, amounted to dollars 45,064. 44.

3. The money designed for the treaty was in London. The peculiar circumstances of Europe, which rendered the exportation of coin from England impossible, and remittances to other parts, difficult; the want, perhaps of sufficient knowledge or capacity in money transactions, of one of the principal agents of the United States; and the precipitation of a subordinate agent, who landed at Algiers the 3d September 1795, and signed the treaty the 5th; combined together to prevent, on the part of the agents of the United States, a punctual fulfilment of the conditions of the treaty. The money was payable at farthest on 1st January 1796, and

had not been remitted to Algiers in April. The Dey became impatient, threatened to abandon the treaty, and to renew his depredations. In order to save the treaty, the agents of the United States were induced to offer the present of a frigate, the price of which was estimated at dollars - - - - - 99,727 which added to an additional expense, incident to the same transaction of - 18,000 made for the loss arising from delays, disappointment and mismanagement in Europe, dollars - - - - - 117,727

4. The sum of 800,000 dollars, appropriated for the Algerine treaty, was borrowed from the Bank of the United States. The Bank, whose original capital consisted of a large amount of six per cent. stock, did not choose to lend specie, but offered six per cent. stock at par. The stock was borrowed on those terms between 21st February and 7th March 1795. The loan was authorized on the first of those days, and the stock remitted to our Bankers in London on the last. Of that sum 560,000 dollars were sold for, sterling £. 111,053. 15. 0 equal to dollars 493,572. 22, and by report of the Secretary of the Treasury, the remaining 240,000 dollars were estimated at 80 per cent. or 192,000 dollars. The whole 800,000 dollars six per cent. borrowed at par from the Bank,

produced 685,572. 22 effective dollars in London. The loss on that remittance was therefore dollars 114,427. 78. There was another loss arising from having remitted that stock to London, on account of loss on the rate of exchange thence to the Mediterranean. This loss is estimated, in the same document, from which these facts are extracted, at dollars - 37,758. 81 making all together for losses dolls. 152,186. 59

| | | |
|-----------------------------------|--|---------------------|
| <i>Recapitulation.</i> | 1. Thetreaty originally cost d lls. | 816,413. |
| | 2. Contingencies - - - | 45,064. 44 |
| | | <hr/> 861,477. 44 |
| | 3. Losses arising from de- lays, & mismanagement in Europe - - - 117,727. | } |
| | 4. Loss arising from six per cent. stock having been remitted to London 152,186 59 | |
| | | |
| | | <hr/> 267,913. 59 |
| Total expense of the treaty - - - | | <hr/> 1,131,391. 03 |

The annuity to be paid to the Dey was stipulated at 24,000 dollars a year, payable in naval stores; which, as the rate at which they were estimated, is lower than the actual price, will cost 72,123 dollars and 31 and a half cents; making for the years 1796—1799, a sum of dollars 288,493. 26.

The extraordinary extortions arise from demands, with which our agents think themselves obliged to comply, in order to preserve peace. The Dey wished the United States, once, to

build vessels fit for cruising for him, which he was to pay out of the annuity. A sum of 47,000 dollars was appropriated in July 1797 for that purpose, and two or three vessels actually built for him. Whether he has consented to a deduction from the annuity, on that account, is not known to the writer. He also insists that property, belonging to his subjects, and freighted on an American vessel, shall be paid by the United States, whenever the vessel has been captured by one of the belligerent powers; and at the same time pretends, that he has a right to compel any American vessel in his ports to take freight for him. On account of sundry demands of this kind, an appropriation was made in the session of 1798—1799. The whole appropriation, which embraced several other objects relative to the Mediterranean powers, was for 200,000 dollars; 72,000 of which were expended in 1799. What proportion was applied to Algiers does not appear; but supposing it to have been dolls. 33,125. 71: the account will stand thus:

| | |
|-----------------------------|---------------|
| Treaty, - - - | 1,131,391. 03 |
| Annuity for four years, - | 288,493. 26 |
| Extraordinary extortions, - | 80,115. 71 |

making in all, dollars 1,500,000

It is to be recollected, that part of those calculations are grounded on estimates laid before

Congress, and the appropriations made accordingly ; and not on the account of the ultimate expenditure of the money. The items relative to the price of naval stores, to the cost of the frigate and other vessels, to the sale of the last parcel of six per cent. amounting to 240,000 dollars, and to the item of extraordinary extortions, may, therefore, be found to amount to somewhat more or less than is here set down. But the difference cannot be great ; and as the sum of dollars 1,682,422. 77 has actually been disbursed by the treasury, the only question is, whether a greater or less part of that sum has been expended for the other Mediterranean powers, than 182,422 dollars and 77 cents.

Having mentioned the loan of 800,000 dolls. obtained from the bank, in six per cent stock, it is proper to add that, in the same year, 1795, the treasury purchased from the Bank another sum of six per cent. stock, amounting to dollars 660,373. 33 and remitted the same to Holland, in order that the proceeds might be applied for the payments of interest and principal on the Dutch debt. Of that sum 160,000 dollars seem to have been purchased in April, and 500,000 dollars in September 1795, and both purchases *at par*. Six hundred and forty thousand dolls. of that stock have produced in Holland 532,107 dollars and 34 cents. The remaining 20,373 dollars and 33 cents have been returned to the

treasury, and have been noticed in the course of these observations. The loss on the part sold has been 107,892 dollars 66 cents, and on the loan of 800,000 dollars, was 114,427 dollars and 78 cents. By those transactions the Bank has obtained specie for 1,460,000 dollars of its six per cent. stock at par, and the United States have lost about 220,000 dollars.

II. It has been stated, that from the establishment of the present government, until the close of 1795, the current expenditure had exceeded the receipts by a sum exceeding two millions and a half of dollars ; from whence had resulted an increase of debt to that amount, exclusively of that increase, owing to the accumulation of interest on the domestic debt, which was funded instead of being paid, and to the assumption of state debts, in favour of debtor states, beyond their proportion. But it appears, by statement No. 5, that during the years 1796, 1797 and 1798, the receipts exceeded the expenditure by a sum of 3,874,524 dollars and 74 cents, which produced a diminution of debt to the same amount. This was owing immediately to an augmentation of revenue and to a diminution of expenses. The diminution of expenses was produced principally by the reduction of the military establishment made by the fourth Congress ; and the increase of revenue was owing partly to additions to the impost and some other taxes laid by the same

Congress, partly to the increase of population, and partly to the increase of wealth occasioned by the neutral situation of the United States. The far greater part of the revenue being drawn from duties on consumption, any increase in the number or wealth of the consumers produces an increase of revenue, independent of new taxes. On the other hand, the real increase of debt during 1799 was 4,783,811 dollars and 3 cents. One year of hostility added one million more to the public debt, than had been paid off in three prosperous years of neutrality. Not only a debt was created, but that reduction of the public debt, which otherwise would have been effected, did not take place.

The revenue of 1796 and 1797, exclusively of loans and sale of bank stock, exceeded the same revenue for 1798 and 1799 by only 200,000 dollars : and the payments for interest on the debt in 1796 and 1797 exceeded those in 1798—1799, by near 300,000 dollars. Had therefore, no change of circumstances taken place, had no additional expenses occurred, a reduction of debt would have been effected in 1798 and 1799, at least equal to what was effected in 1796 and 1797. The net amount of debt *discharged*, during these two years, was dollars 3,046,028.60. The net amount of debt *incurred* during 1798 and 1799 is dollars

3,955,314.89. The difference resulting from the additional expenses, incurred during 1798 and 1799, appears, in this view of the subject, to amount to *seven millions* of dollars. A more precise result may be deduced from a consideration of the expenses themselves.

The whole amount expended for the military establishment, navy included, during the years 1796 and 1797 was (Statement No. 3,) dollars 3,026,042.79. The whole amount expended for the same objects, during the years 1798 and 1799 (deducting dollars 80,007.66, expended on account of the insurrection in 1799) is dolls. 9,566,669.85. The difference is dollars 6,530,626.79. And as the revenue for these two last years was less than in 1796 and 1797, no part of that expense has been defrayed by an additional revenue ; but the whole has been paid, either by a revenue which otherwise would have been employed in the reduction of the public debt, or by creating a new debt. The public debt was, on the 1st January 1800, almost five millions of dollars larger than it actually was in the middle of 1798, and precisely six millions and a half larger than it would have been, had not those additional expenses been incurred. In order to have a complete view of the direct loss caused by the additional expenses, it is necessary to examine what will be the result of the year 1800.

The army establishment for the year 1797, cost, dollars 1,062,299.04. The additional expenses authorized in 1798, in relation to that object, consisted, exclusively of the purchases of arms and ammunition, of about 3,000,000 dollars, one million applicable to a permanent increase of the standing army, and two millions necessary for the support of the additional, or temporary army, which has lately been disbanded. Had the increase taken place the moment it was voted, it would have produced an additional expense of four millions and a half for the six last months of 1798 and the year 1799. As the recruiting service did not immediately commence, and proceeded gradually, the whole additional expense, including purchases of arms and military stores, was, for those 18 months only, dollars 3,415,748.60, and has already been taken into consideration. The estimate for 1800, was originally made on a supposition that the whole establishment would be filled and continued, and for the army, exclusively of arms and ammunition, exceeded four millions of dollars. The suspension of the enlistments in January 1800, made a saving of one million ; and the disbanding of the additional army will save after 1800 another million ; but as the troops were disbanded only in June, and allowed three months extra-pay, there will be no more than 300,000 dollars saved on that head this

year. The expenses for the military establishment, including the navy, are, therefore, calculated as followeth :

| | | | | | | |
|--|---|---|---|---|-----------|-----------|
| Army | - | - | - | - | - | 2,700,000 |
| Navy—pay, provisions, contingencies | - | - | - | - | 2,500,000 | |
| Towards building six 74's | - | - | - | - | 700,000 | |
| | | | | | <hr/> | 3,200,000 |
| Purchase of arms, ammunition, and military stores estimated by treasury at 1,000,000; supposed to be expended in relation to this object | - | - | - | - | - | 600,000 |
| | | | | | <hr/> | |
| Probable expenses of 1800 | - | - | - | - | - | 6,500,000 |
| The average expense of 1796—1797, was | - | - | - | - | - | 1,500,000 |
| | | | | | <hr/> | |
| The additional expenses for 1800 will be | | | | | | 5,000,000 |
| | | | | | <hr/> | |

Which five millions added to the six millions and a half, extraordinary expense for the latter part of 1798, and for the year 1799, make an aggregate of *eleven millions of dollars and a half*, for the extraordinary expenses of the military and naval establishment from June 1798, to the close of 1800.

The following Estimate of the Receipts and Expenditures of the Year 1800 will show the Probable Increase of Debt for that Year.

EXPENDITURES.

| | | | | |
|--|---|---|---|------------|
| Interest on the public debt | - | - | - | 3,500,000 |
| Civil list and miscellaneous | - | - | - | 1,200,000 |
| Expenses of intercourse with foreign nations | - | - | - | 400,000 |
| Military and Naval establishment, per above | - | - | - | 6,500,000 |
| Current expenditure | | | | 11,600,000 |
| Payments of principal of the debt, including reimbursement of six per cent. stock. | - | - | - | 1,200,000 |
| Total | | | | 12,800,000 |

RECEIPTS.

| | |
|--|------------|
| Impost, including increase arising from additions made this year | 7,200,000 |
| Internal revenue | 800,000 |
| Probable receipts of land tax, as estimated by the Secretary | 1,200,000 |
| Dividends on Bank stock, duties on postage | 100,000 |
| | <hr/> |
| Revenue | 9,300,000 |
| There were, on 1st Jan. 1800 more than 2 millions of dollars in treasury, of which, applicable to the current expendi- tures as estimated by the Secretary | 1,000,000 |
| Probable amount of the new loan | 2,500,000 |
| | <hr/> |
| | 12,800,000 |

Deducting the 1,200,000 dollars to be applied to the reduction of the debt, from the loan of two millions and a half, will leave for the increase of debt 1,300,000 dollars.

It appears, therefore, that the extra expense of eleven millions and a half has been, or will be ultimately paid by

| | | | |
|---|---|-----------|------------|
| 1. The increase of debt in 1799 | - | 4,780,000 | |
| in 1800 | - | 1,320,000 | |
| | | | 6,100,000 |
| 2. The additional probable revenue of 1800 | | | |
| Land tax | - | 1,200,000 | |
| Additions to the impost | - | 300,000 | |
| | | | 1,500,000 |
| 3. That part of the ordinary revenue of 1798, 1799 and 1800, which, otherwise, would have been applied to the reduction of the debt—about | - | - | 4,000,000 |
| | | | 11,600,000 |

Had no extraordinary expense been incurred, and the additional taxes, (land tax and additional impost) been still raised, the public debt would have been, on the 1st January 1800, eleven millions and a half of dollars less than it will be. But if, which doubtless would have been the case, the additional taxes had not been laid, the public debt would have been on that day, ten millions of dollars less than it will be. The difference to the people of the United States is ten millions of debt, and one million and a half additional taxes. It is even probable that the real loss caused by the measures adopted in relation to France, amounts to more than eleven millions of dollars and a half.

The average of the receipts from impost and internal duties, from the 1st January 1796 to 1st January 1798, was in round numbers 7,580,000 dollars a year, and for the years 1798 and 1799 was 7,570,000 dollars. Yet the following taxes operated either exclusively, or almost altogether in favour of the revenue of the two last years.

1. Duty of half a cent per pound on brown sugar, estimated at 200,000 dollars, and of two and a half per cent. on sundry goods, estimated at 200,000 dollars making all together 400,000 dollars, were laid in 1797, and operated neither on 1796, nor on the first months in 1797.

2. A duty of 8 cents per bushel on salt, estimated at 200,000 dollars, was laid in 1797, and

operated neither in 1796, nor in the first nine of 1797.

3. The stamp duties estimated at 200,000 dollars, operated only from 1st July 1798.

Had there been no diminution of revenue arising from other causes, the average amount of receipts for 1798 and 1799, should have exceeded that of 1796 and 1797, by the following sums.

1. The proceeds of duties on sugar and other articles should have been for 1798 and 1799 dollars 800,000, and for 1797, dollars 200,000, the difference is dollars 600,000.

2. The additional salt duty for 1798 and 1799, dollars 400,000, for 1797 only dollars 50,000—difference, dollars 350,000.

3. The stamp duties for one year and a half, dollars 300,000.

Those three items amount all together to 1,250,000 dollars for the years 1797 and 1798, or 625,000 a year. The average revenue of these two last years, should have exceeded that of the two preceding years, by 625,000 dollars, but the contrary fell short of it. The revenues existing in 1797 experienced, therefore, a diminution of 625,000 dollars a year in 1798 and 1799; and that diminution fell principally on the year 1799.

Several causes have probably combined in causing that diminution. So far as the suspen-

sion of the commercial intercourse with France, may have diminished the profits of commerce, or the price of any of our exports, the income of the consumers has been diminished, and so far the consumption of articles paying a revenue has decreased. It is not the object of this enquiry to attempt to ascertain how far *that* cause may have diminished the revenue. Still less is it intended to investigate the necessity, or advantages of the measures which have authorized the extraordinary expense of those three years. It is sufficient to have shown that, independent of any indirect loss in the revenue, the actual cost, from the accounts already produced, exceeded six millions and a half of dollars, for the first eighteen months of hostilities, and will, from the estimates, which have been made by the departments, amount to eleven and a half millions at the close of this year.

No. 1.

Statement of the Public Debt on 1st Jan. 1790. and 1st Jan. 1800.

On 1st January 1790.

Foreign debt,

| | | | Dolls. | Cts. |
|--|-----|-----|--------------------|------|
| French debt, including arrear. of interest | - | - | 7,895,300. | 39 |
| Spanish debt, | do. | do. | 241,680. | 95 |
| Dutch debt, | do. | do. | 3,600,000. | |
| | | | <u>11,736,981.</u> | 34 |

Foreign Officers,

| | | | | |
|------------------------|---|---|-----------------|----|
| Principal | - | - | 186,088. | 23 |
| Arrearages of interest | - | - | 10,822. | 05 |
| | | | <u>197,810.</u> | 28 |

Domestic Debt,

| | | | | |
|--|---|--------------------|--------------------|----|
| Principal as funded originally | - | 27,763,297. | 85 | |
| Deduct payment of lands sold to Pennsylvania | - | 90,674. | 16 | |
| | | <u>27,677,623.</u> | 69 | |
| Value of paper money funded at 100 for 1 | - | 480,823. | 83 | |
| Unsubscribed registered debt | - | 86,561. | 34 | |
| | | <u>28,245,008.</u> | 86 | |
| Interest to 1st January 1790, (deducting dollars 22,438. 58, interest on debt due to foreign officers) | - | 11,213,737. | 41 | |
| Deduct received in payment of lands sold to Pennsylvania | - | 60,718. | 25 | |
| | | <u>11,153,019.</u> | 16 | |
| | | | <u>39,398,028.</u> | 02 |

Assumed debt,

| | | | |
|--|-------------|--------------------|----|
| Principal of state certificates assumed | 15,082,771. | 33 | |
| Interest prior to 1st Jan. 1790 | - | 1,379,110. | 85 |
| | | <u>16,461,882.</u> | 18 |
| Deduct assumption for debtor states beyond their proportion, viz. 2,069,565. 71 including interest to 1st Jan. 1792, and without the interest after 1st Jan. 1792, estimated | - | 2,000,000. | |
| | | <u>14,461,882.</u> | 18 |
| Balances funded in favor of creditor states | 3,517,584. | | |
| | | <u>17,979,466.</u> | 18 |
| Unfunded debts discharged in specie | - | 428,080. | 45 |
| | | <u>69,740,366.</u> | 27 |

Public debt on Jan. 1, 1790 -

No. 1 *Continued.*

On the 1st January 1800.

| | | | | |
|---|-----|-------------|----|----------------------|
| Foreign debt | - | - | - | 10,760,000 |
| Old six per cent. nominal deducting amount transferred to sinking fund | - | 28,225,669. | 63 | |
| Deduct the reimbursements | - | 3,215,575. | 37 | |
| | | | | <hr/> 25,010,094. 26 |
| Deferred stock, deducting amount trans- ferred to sinking fund | - | 13,682,944. | 17 | |
| Three per cent. do. | do. | 19,086,708. | 54 | |
| Five and a half per cent. do. | do. | 1,847,500. | | |
| Four and a half per cent. | - | 176,000. | | |
| | | | | <hr/> 59,803,246. 97 |
| Outstanding debt due to foreign officers, and registered debt | | | | 100,184. 18 |
| Six per cent. stock of 1796 | - | 8,000. | | |
| Eight per cent. | - | 5,000,000. | | |
| Six per cent. navy stock | - | 923,200. | | |
| | | | | <hr/> 6,009,200 |
| Temporary loans obtained from the Bank | - | | | 3,640,000 |
| | | | | <hr/> |
| Public debt on the 1st Jan. 1800 | - | | | 80,312,631. 15 |
| Deduct Bank shares owned by the United States at 25 per cent. advance | - | | | 1,110,000 |
| | | | | <hr/> |
| Public debt on 1st Jan, 1790 | - | | | 79,202,631. 15 |
| | | | | 69,740,366. 27 |
| | | | | <hr/> |
| Increase of debt from 1790 to 1800. | - | | | 9,462,264. 88 |

No. 3.

Statement of the Expenditures of the United States, from the Establishment of the present Government, to 1st January 1800.

| PUBLIC DEBT | | | CIVIL. | | | MILITARY. | | FOREIGN. | |
|---|-----------------------|--------------------|-------------------|---------------|----------------|----------------|---------------|-----------------------------------|----------------|
| | Subscription to Bank. | Principal of debt. | Interest on debt. | Civil list. | Miscellaneous. | Land. | Navy. | Intercourse with foreign nations. | Total. |
| 1783-91 | - | 3,232,639. 74 | 2,454,217. 10 | 706,720. 29 | 271,209. 78 | 740,409. 16 | - | 14,733. 33 | 7,419,929. 34 |
| 1792 | 1,000,000 | 2,205,386. 55 | 3,044,918. 70 | 375,319. 86 | 183,745. 24 | 1,114,350. 94 | - | 78,766. 67 | 9,002,487. 97 |
| 1793 | - | 3,033,554. 06 | 2,830,290. 21 | 352,911. 57 | 128,383. 36 | 1,132,443. 91 | - | 89,500. | 7,567,085. 11 |
| 1794 | - | 2,311,985. 93 | 3,497,562. 65 | 440,946. 58 | 213,547. 18 | 2,652,140. 05 | 61,408. 97 | 131,403. 51 | 9,309,394. 87 |
| 1795 | - | 2,896,390. 30 | 3,041,548. 33 | 361,633. 36 | 162,261. 87 | 2,502,385. 81 | 410,562. 03 | 912,468. 51 | 10,287,466. 82 |
| 1796 | - | 2,032,631. 31 | 3,184,632. 61 | 447,139. 05 | 306,609. 38 | 1,306,327. 82 | 274,784. 04 | 184,859. 64 | 7,797,983. 85 |
| 1797 | - | 2,720,056. 32 | 3,291,696. 58 | 483,233. 70 | 235,217. 06 | 1,062,270. 04 | 382,631. 89 | 669,788. 54 | 8,845,823. 13 |
| 1798 | - | 1,019,886. 56 | 3,049,927. 80 | 504,605. 17 | 266,275. 78 | 1,939,684. 73 | 1,381,347. 76 | 457,428. 74 | 8,610,156. 54 |
| 1799 | - | 1,143,416. 55 | 3,164,636. 37 | 592,905. 76 | 291,559. 95 | 2,547,362. 91 | 3,787,281. 84 | 271,374. 11 | 11,795,537. 47 |
| | 2,000,000 | 20,654,847. 30 | 27,559,430. 35 | 4,265,415. 34 | 2,059,211. 61 | 14,988,404. 31 | 5,598,016. 53 | 2,310,530. 66 | 80,635,865. 10 |
| <p>Specie in Treasury on 1st Jan. 1800, - - - 2,161,867. 67 } in Holland do. - - - 548,955. 84 }</p> | | | | | | | | | |
| Total Receipts | | | | | | | | | 83,346,688. 61 |

No. 4.
Statement, showing the amount of Debt respectively incurred and extinguished,
from 1st Jan. 1790, to 1st Jan. 1800.

| Years. | Interest ac- rued and funded. | DEBT INCURRED. | | | DEBT EX- TINGUISHED. | INCREASE. | DECREASE. |
|--------|-------------------------------------|------------------------------|--|----------------|-------------------------|---------------|---------------|
| | | Assumed for debtor states | Loans includ- ing sales of Bank stock. | Total. | | | |
| 1790 | 184,742. 91 | 2,000,000 | 19,256,595. 56 | 25,441,336. 47 | 16,883,357. 81 | 8,552,978. 57 | 693,631. 31 |
| 1796 | - | - | 1,420,000. | 1,420,000. | 2,093,631. 31 | - | 2,352,397. 29 |
| 1797 | - | - | 384,260. | 384,260. | 2,736,657. 29 | - | 828,496. 14 |
| 1798 | - | - | 200,000. | 200,000. | 1,028,496. 14 | - | - |
| 1799 | - | - | 5,929,200. | 5,929,200. | 1,145,388. 97 | 4,783,811. 03 | - |
| Total. | - | - | - | 33,354,796. 47 | 23,892,531. 59 | 9,462,264. 88 | 3,871,524. 74 |

(A) In this statement, the subscription to the Bank is considered as an extinguishment of debt to the amount of dollars 2,494,260. viz.

The proceeds of sale of Bank shares
The shares now owned by the U. S. at 25 per cent advance

1,314,250
1,110,000
2,494,260

And the sales of Bank stock, amounting to dollars 1,384,260, are consid-
ered as a debt incurred to that amount

| | |
|--|-----------------------|
| A. The sum applied to the reduction of the debt, per Statement No. 2. | 20,654,847. 30 |
| Deduct debts discharged in 1789 | 15,927. 13 |
| Nominal amount of debt purchased by sinking fund beyond the monies ap-plied to purchases | 20,638,920. 17 |
| Payments in treasury, in evidences of public debt | 688,380. 47 |
| (a) Subscription to the Bank | 70,970. 95 |
| | <u>23,892,531. 59</u> |



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